

**MINUTES
STATE BOARD OF FINANCE
NOVEMBER 30, 2005
SENATE COMMITTEE ROOM
STATE HOUSE ROOM 125**

Members in Attendance:

Auditor Connie Nass
Charles Schalliol, OMB Director
Treasurer Tim Berry

Also in Attendance:

Paul Lottes, Deputy Auditor
Kirke Willing, Chief Deputy Treasurer
Mary Burres, Auditor of State's Office
Mayor Tom McDermott, Jr. – Mayor of Hammond, IN
Kevin Rhodes – Cabela's Director of Real Estate
Edward T. Krusa – Krusa Consulting Services
Tom McDermott, Sr. – former Mayor of Hammond, IN
Paul Mannweiler – Representative for the city of Hammond
Joe Allegretti – Attorney
Susan Miller – Post Tribune
Kelli Waggoner – KWK Management Group
Patrick Guinane – The Times of Northwest Indiana
Chris Ruhl - OMB

CALL TO ORDER

The meeting was called to order by OMB Director Chuck Schalliol.

APPROVAL OF MINUTES

Auditor Nass moved to approve the minutes from the September 27, 2005, meeting, Treasurer Berry seconded, and the minutes were unanimously approved.

HAMMOND SALES TAX INCREMENT FINANCING

Director Schalliol opened the discussion by stating that the Board wanted to provide an opportunity to the City of Hammond to present its request for sales tax increment financing (STIF) to the Board.

Representing the City of Hammond were Mayor Tom McDermott, Jr., Edward T. Krusa of Krusa Consulting Services, and Kevin Rhodes, the Director of Real Estate for Cabela's, an outdoor product catalog and store retailer.

Mayor McDermott opened the presentation by discussing the Cabela store concept based on the store in Kansas City, Kansas that he had visited recently. He described the Woodmar Country Club property that would be the site of the Cabela's development for which the STIF proceeds would be used. He stated that he was aware that the law required the city to maximize

property tax increment financing (TIF) before the state can approve STIF. He said that the city would be providing \$25 million of TIF. Mayor McDermott described the project including the size of the development, the anticipated yearly gross sales and new jobs, and capital improvements needed including flood control at the site. He discussed the unique situation that made Hammond a good site for the project and said that he was aware that there was opposition to the project from Gander Mountain and Bass Pro Shops which may build in neighboring Porter County. He said that Portage was not urban like Hammond with its higher unemployment and property taxes. He described other states where Cabela's had used government incentives and said that he understood that it was not the state's policy to use STIF for retail projects. He said that Hammond was included in the legislation in 1991 that designated the communities that could apply for STIF but that it was never used by Hammond. At the end of his presentation he asked the Board to table the matter for further consideration while the city works with the state and IEDC if the Board did not approve STIF at today's meeting.

Kevin Rhodes of Cabela's discussed the Cabela's destination store concept and stated that Cabela's was more than a shopping experience because of the educational displays located in the store. He said that the location near a major interstate made Hammond attractive. He mentioned that 30% to 80% of the sales for the store were expected to come from Illinois and other out-of-state customers and would produce sales tax revenue that is not there today.

Ed Krusa provided two documents to the Board (attached here as Exhibits A and B), an Executive Summary and an analysis of STIF revenues under the current plan. He said that he projected 50% of the sales to come from out-of-state customers. He stated that the Cabela's store would not draw customers from other area retailers because Cabela's is a specialty retailer that provides products not generally found at other stores.

Auditor Nass raised questions about the activities that would occur during each phase of the project, other retail development that might occur as a result of the Cabela's store going up, and the number of people that would be employed after the completion of each phase of the project. Mr. Rhodes stated that Cabela's would buy the bonds issued under the STIF plan. Auditor Nass asked whether other local government funds could be used on the project. Mr. Krusa replied that the project would need more than the available city TIF financing. He said that Hammond was going to issue about \$22 million in bonds to pay a settlement relating to litigation against the city and to purchase an apartment complex, so there would be little additional city money available.

Auditor Nass asked Mr. Rhodes if Cabela's would guarantee the number of positions that would be filled after the store went up and Mr. Rhodes said that he could not do that at this time. Auditor Nass asked how much of the \$47,500,000 to be invested in Phase II of the project would come from Cabela's and Mr. Rhodes replied that most of this money would come from other investors. He said that Great Wolf and other restaurant and retail businesses often follow Cabela's. Auditor Nass asked how often government assistance was provided to Cabela's to build its stores. Mr. Rhodes said that this occurred with all stores but that it was not always state money. Mayor McDermott added that the state would be receiving more sales taxes through the Cabela's project than it has received with the country club at the project location. He also stated that people "fleeing Chicago" to go to Michigan for the summer would drive right by the Cabela's in Hammond.

Auditor Nass moved to table the discussion on the Hammond STIF request. Treasurer Berry seconded the motion. Director Schalliol stated that the state has never given final approval to a STIF project. He commended Mayor McDermott on an excellent presentation. Director

Schalliol said that the Governor was supportive of economic development anywhere in Indiana and especially in northwest Indiana and the Governor would be excited to see Cabela's come to Indiana. Director Schalliol said that he supported the motion to table the discussion on the Hammond STIF request. He said that the executive branch has designated the IEDC to handle business development in the state and he was not prepared to approve the proposal. He added that Hammond should discuss this matter with the IEDC.

Treasurer Berry said that he heard good information during the discussion and that the flood control issue needed further attention. He has additional questions and would meet later with the city and Cabela's representatives to discuss the bonds.

Auditor Nass said she believed that Hammond needed to work with the IEDC and she would like to see Cabela's come to Indiana.

Auditor Nass's motion to table the Hammond STIF project carried unanimously.

NEW OR OTHER BUSINESS

No new business was brought before the Board.

ADJOURNMENT

Auditor Nass moved to adjourn the meeting, Treasurer Berry seconded, the motion to adjourn was unanimously approved, and the meeting was adjourned.

/s/ Auditor Connie K. Nass

/s/ Charles Schalliol, OMB Director

/s/ Treasurer Tim Berry